

Assembly Bill No. 2219

Passed the Assembly August 27, 2012

Chief Clerk of the Assembly

Passed the Senate August 23, 2012

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2012, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend and repeal Section 7125 of the Business and Professions Code, and to amend Section 11665 of the Insurance Code, relating to contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 2219, Knight. Contractors' workers' compensation insurance coverage.

(1) Existing law, the Contractors' State License Law, provides for the licensing and regulation of contractors by the Contractors' State License Board within the Department of Consumer Affairs. Existing law requires every licensed contractor, or applicant for licensure, to have on file at all times with the board a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or a statement certifying that he or she has no employees and is not required to obtain or maintain workers' compensation insurance. Existing law, until January 1, 2013, requires a contractor with a C-39 roofing classification to obtain and maintain workers' compensation insurance even if he or she has no employees.

This bill would extend the operation of these provisions indefinitely. The bill would require the current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance to be in the applicant's or licensee's business name.

Under existing law, for any license that, on January 1, 2011, is active and includes a C-39 classification but for which a valid Certificate of Workers' Compensation or Certification of Self-Insurance has not been received by the registrar of contractors, the registrar is required, in lieu of suspending the license, to remove the C-39 classification from the license.

This bill would change this date to January 1, 2013, and would extend the operation of these provisions indefinitely.

Existing law requires the suspension of any license that, after January 1, 2011, is active and has had the C-39 classification removed pursuant to the above-described provisions, if the licensee is found by the registrar to have employees and to lack a valid

Certificate of Workers' Compensation or Certification of Self-Insurance.

This bill would change this date to January 1, 2013, and would extend the operation of these provisions indefinitely.

(2) Existing law requires an insurer who issues a workers' compensation insurance policy to a roofing contractor holding a C-39 license from the Contractor's State License Board to perform an annual payroll audit for the contractor. The Insurance Commissioner is further required to direct the rating organization designated as his or her statistical agent to compile pertinent statistical data on those holding C-39 licenses, and, on an annual basis, the rating organization is required to report its data to the commissioner. Under existing law, the statistical data in the rating organization's report includes the total annual payroll and loss data reported on those holding C-39 licenses, as specified. Existing law provides that these provisions are inoperative and repealed on January 1, 2013.

This bill would extend the operation of these provisions indefinitely. The bill would require that the statistical data compiled by the rating organization pursuant to these provisions include data regarding the number of employers, total payroll, total losses, and the losses per \$100 of payroll, broken down by reported annual payroll ranges. The bill would require that the audit performed by the insurer include an in-person visit to the place of business of the roofing contractor to verify whether the number of employees reported by the contractor is accurate.

The people of the State of California do enact as follows:

SECTION 1. Section 7125 of the Business and Professions Code, as amended by Section 1 of Chapter 686 of the Statutes of 2011, is amended to read:

7125. (a) Except as provided in subdivision (b), the board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by an insurer

duly licensed to write workers' compensation insurance in this state. A Certification of Self-Insurance shall be issued and filed by the Director of Industrial Relations. If reciprocity conditions exist, as provided in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to ensure compliance with this section.

(b) This section does not apply to an applicant or licensee who meets both of the following conditions:

(1) Has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.

(2) Does not hold a C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations.

(c) No Certificate of Workers' Compensation Insurance, Certification of Self-Insurance, or exemption certificate is required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive.

(d) (1) The insurer, including the State Compensation Insurance Fund, shall report to the registrar the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable.

(2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:

(A) The insurer has completed a premium audit or investigation.

(B) A material misrepresentation has been made by the insured that results in financial harm to the insurer.

(C) No reimbursement has been paid by the insured to the insurer.

(3) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee.

(e) (1) For any license that, on January 1, 2013, is active and includes a C-39 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension

otherwise required under this article, remove the C-39 classification from the license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar.

(2) For any licensee whose license, after January 1, 2013, is active and has had the C-39 classification removed as provided in paragraph (1), and who is found by the registrar to have employees and to lack a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, that license shall be automatically suspended as required under this article.

(f) The information reported pursuant to paragraph (2) of subdivision (d) shall be confidential, and shall be exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

SEC. 2. Section 7125 of the Business and Professions Code, as amended by Section 2 of Chapter 686 of the Statutes of 2011, is repealed.

SEC. 3. Section 11665 of the Insurance Code is amended to read:

11665. (a) An insurer who issues a workers' compensation insurance policy to a roofing contractor holding a C-39 license from the Contractors State License Board shall perform an annual payroll audit for the contractor. This audit shall include an in-person visit to the place of business of the roofing contractor to verify whether the number of employees reported by the contractor is accurate. The insurer may impose a surcharge on each policyholder audited under this subdivision in an amount necessary to recoup the reasonable costs of conducting the annual payroll audits.

(b) The commissioner shall direct the rating organization designated as his or her statistical agent to compile pertinent statistical data on those holding C-39 licenses, as reported by the appropriate state entity, on an annual basis and provide a report to him or her each year. The data shall track the total annual payroll and loss data reported on those holding C-39 licenses in accordance with the standard workers' compensation insurance classifications applicable to roofing operations. The data shall include the number of employers, total payroll, total losses, and the losses per one

hundred dollars (\$100) of payroll by the employers' annual payroll intervals as follows:

1 to	4,999
5,000 to	9,999
10,000 to	14,999
15,000 to	19,999
20,000 to	24,999
25,000 to	29,999
30,000 to	39,999
40,000 to	49,999
50,000 to	74,999
75,000 to	99,999
100,000 to	199,999
200,000 to	299,999
300,000 to	399,999
400,000 to	499,999
500,000 to	599,999
600,000 to	699,999
700,000 to	799,999
800,000 to	899,999
900,000 to	999,999
1,000,000 to	1,099,999
1,100,000 to	1,199,999
1,200,000 to	1,299,999
1,300,000 to	1,399,999
1,400,000 to	1,499,999
1,500,000 or more	

The report shall also be provided to the Legislature by the commissioner, in compliance with Section 9795 of the Government Code.

Approved _____, 2012

Governor